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## COMPETITIVE INTELLIGENCE

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**Abstract:**

*There are many challenges to face in this century. It's an era of information. Those who have the best information are going to win the race for supremacy on the market. More and more managers are aware of the fact that they have to do something to remain on the market and to be successful. They have to adapt and to try to gain an advantage over the competitors. Nowadays, the only thing that makes the difference is the company's competitiveness. The times when the one who had the capacity to produce more was the leader are long gone; now all the actors on every market are focused on quality and this leads to severe competition. What is left then? How can a company gain competitive advantage? The only thing that can make a difference is not the quality of the product but the quality of the information they possess about the market, the client, the product, the technological process, management etc. It's about the information management. It's about competitive intelligence.*

**Keywords:** competitive intelligence, information, intelligence, strategy

### 1. Introduction

In today's fast changing business world, no-one likes surprises. The ability to be pro-active and not reactive is one of the greatest techniques for creating value within an organization. This requires a continuous process of transforming information into intelligence so that a company can manage the future. Winning a battle in the business area implies, like in any other face-off, knowing your opponent, in this case, the competition, very well. The manager cannot make a viable strategy, founded solely on information about his company. A competitive strategy means that one is competitive because he differentiates himself from the others. And for this, one has to know what the others are doing.

Nowadays the CEO's need a warning system which can timely deliver the relevant information from the business environment, so that they are able to make decisions with a secure level of certainty that allows the company to maintain its competitive advantage.

The market globalization and the speed of science and technology evolution require the usage of monitoring systems, capable of identifying opportunity niches essential for the growth of the companies. One of the best tools for making this possible is Competitive Intelligence. This instrument supports the strategic planning in every company.

Competitive intelligence in business organizations has benefited greatly from military and government intelligence practices and knowledge. Many of the pioneers in the business intelligence community migrated from a variety of governmental organizations. They brought a set of concepts and insights that have been refined over centuries. Most notably, Sun Tzu's classic work on military intelligence is widely read, and he is credited with being the father of intelligence (Prescot and Miller, 2001).

This concept has proven, along the years, its goal (actionable intelligence that will provide a competitive edge) and advantages when applied correctly. Still, most midsize firms lack dedicated competitive intelligence operations, despite the fact that most business leaders recognize that their success depends on looking forward and moving more quickly than the competition.

According to Ben Gilad and Leonard Fuld, *competitive intelligence (CI) is the action of ethically and legally gathering, analyzing, and communicating information about third party players in one's competitive arena - from competitors, to suppliers, customers, influencing parties, regulators, distributors, potential new competitors, and so forth, to be used by companies in their planning and decision making. The process of collecting, storing, analyzing and communicating this market intelligence is today an institutionalized process in most large companies.*

Done properly, this helps a company avoid surprises by anticipating competitors' moves and decreasing response time. Put simply, competitive intelligence is a method of collecting and analyzing information that lets companies identify possible changes regarding competitors before these become obvious. Data can be gathered from public or private sources, from networking with a competitor's staff or customers or from research in the field. A key rule is that all activity must be legal. CI practitioners must also disclose their identities at all times and not collect information under false pretenses.

• Direct Sources	• Indirect Sources
<ul style="list-style-type: none"> <li>✓ Passive               <ul style="list-style-type: none"> <li>- Web                   <ul style="list-style-type: none"> <li>○ Company sites</li> <li>○ Portals</li> <li>○ Search engine</li> </ul> </li> <li>- Press releases</li> <li>- Industry (market) analysis                   <ul style="list-style-type: none"> <li>- Financial Analysts</li> <li>- Employment Ads</li> </ul> </li> </ul> </li> <li>✓ Active               <ul style="list-style-type: none"> <li>- Trade shows</li> <li>- Technical conferences</li> <li>- Employment</li> <li>- Meetings and plans</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Customer interviews</li> <li>- Customer surveys</li> <li>- Sales forces</li> <li>- Reps and distributors</li> <li>- Suppliers and partners</li> <li>- Former employees</li> </ul>

The basis of competitive intelligence is knowing the difference between *information* and *intelligence*. This will help managers get on the road to more efficient decision making (See Kahaner L., The Basics of Competitive Intelligence).

*Information is factual.* Its numbers, statistics, disseminated bits of data about people and companies and what they've been doing that seems to be of interest. Information often appears to be telling you something but in reality it's not. One can't make good decisions based on information no matter how accurate the information is or no matter how comprehensive it is. *Intelligence*, on the other hand, is a collection of information pieces which have been filtered and analyzed. It has been turned into something that can be acted upon. Intelligence is what managers need to make decisions, not information. Another term for intelligence is knowledge.

### **Variations of competitive intelligence**

Over time, businesses recognized a form of intelligence that was called in various ways (competitive intelligence, business intelligence, corporate intelligence, competitive information or commercial intelligence), but most of the experts have settled to call it competitive intelligence.

Regardless of the term that we use, CI is the use of public sources to develop data about competitors and the market environment and its transformation in usable information, thorough analysis. When thinking about CI, public information refers to the information that one can access legally and ethically. Publicly does not mean necessarily published information.

According to McGonagle and Vella (1999) the most commonly recognized variations of CI are:

- strategic intelligence
- competitor intelligence
- technical intelligence
- market intelligence

**Strategic intelligence** represents competitive intelligence provided in support of strategic decision making. This means providing the highest levels of management information on the competitive, economic and political environment in which companies operate now and in which they will operate in the future. This type of intelligence generally supports the senior management for the overall strategy. The most common applications are in the development of strategic plans, capital investments, political risk assessment, mergers, acquisitions, joint ventures, corporate plans, R&D planning.

**Competitor intelligence** is the use of public sources to locate and develop data that are then transformed into information about competitors, their capabilities, current activities, plans and intentions.

The role of this type of intelligence is to help the operating managers within strategic business units or product managers and other people involved in the process of product or business development.

**Market intelligence** is intelligence developed on the very current activities in the marketplace (Sawka in McGonagle and Vella).

Market intelligence depends on highly developed software tools and analytical skills highly trained people to provide market knowledge, professional expertise and marketing insight. The data should be received fast and detailed so that they enable a firm to find out information regarding the success or failure of its product promotion, the next moves of the competitors regarding their promotions and possibilities of cross-promoting the product. Frequently users of market intelligence are marketing departments and market planning department because they use the feedback on the success or failure of previous sales efforts.

### Technical intelligence

Technical intelligence activities enable a firm to respond fast to threats and to identify the opportunities which result from technical and scientific development.

Technical intelligence can provide information about the methods and processes used by the competitors, their dependence on outside technology, patents or new technology acquired, the capabilities of the competitors' R&D staff, estimations about expenditures for this department. TI primarily focuses on technological trend rather than on the market ones. A part of the experts considers that it should be more concerned about the opportunities of the firm, than on the threats to the firm.

### **Active and defensive CI**

When CI started to become popular, there was no discussion of anything besides the actions designed to collect information about the competitors, called *active competitor intelligence*. During its evolution, analysts started to realize that what they were doing, it could be happening to them also. This led to a new interest towards activities that were destined to protect companies against CI activities from other companies, called *defensive competitor intelligence*.

Active CI processes are those aimed at collecting raw data as well as analyzing those data to provide finished intelligence. The goal of a defensive program is to make life much more difficult for your competitor's intelligence analysts, so they will give your firm more operating flexibility.

Counterintelligence is the process of countering, preventing the intelligence gathering effort of other parties, your competitors. It has to be understood as a part of an ongoing process. This program's effectiveness is measured through minimization of losses due to the competitive intelligence effort of the competitors.

Many companies are very careful to protect their physical assets, but it is far more important to protect the intangible assets of the company. Cloaked competitors are those that protect themselves from the intelligence gathering efforts of their competitors. For doing this, the most important aspect is to understand how competitors work, which channels they use, and the techniques they use.

### **Implementing competitive intelligence – the CI process**

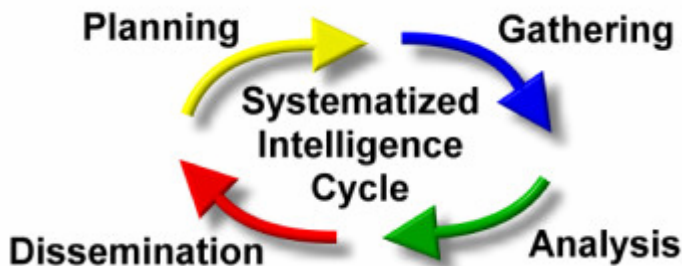
Although the main job of competitive intelligence is to support management decision making, having a methodical competitive intelligence system in place can help the company address many different issues.

A methodical competitive intelligence program can:

- ✓ Anticipate changes in the marketplace.
- ✓ Anticipate actions of competitors.
- ✓ Discover new or potential competitors.
- ✓ Learn from the successes and failures of others.
- ✓ Increase the range and quality of profitable targets.

- ✓ Learn about new technologies, products and processes that affect the company's business.
- ✓ Learn about political, legislative or administrative changes that can affect the company's business.
- ✓ Enter new businesses.
- ✓ Look at the company's own business practices with an open mind.
- ✓ Help implement the latest management tools.

The CI process is most commonly divided into four basic stages, which make up what is known as the CI cycle :



1. Planning: this means establishing the needs of the company. On one hand, the managers of the company recognize the need for CI and, on the other hand, they define what kind of CI the company needs. It also means what questions the managers want to answer with the CI, who else may be using CI, and how, by whom, and when the CI will finally be used. This is also the part of the cycle in which the competitive intelligence practitioner decides which course he should take in fulfilling his task.
2. Gathering: this phase involves the actual gathering of raw information from which intelligence will be produced. The vast majority of collection materials are public domain meaning they are available to anyone who knows where to look. Sources include periodicals, annual reports, books, broadcasts, speeches, databases and so on.
3. Analysis: this is generally considered the most difficult part of the intelligence cycle. Analysis requires great skills and boldness because it requires the analyst to weigh information, look for patterns and come up with different scenarios based on what he has learned. Even though analysis is based on logic and hard information, analysts must sometimes 'fill in the blanks' and make intelligent guesses about possible outcomes.
4. Dissemination: this step involves distributing the intelligence product to those who requested it. It's the time when the analysts will suggest possible courses of action based on his work. He must be able to emphasize his recommendations and defend them with logical arguments. The resulting intelligence will also be

distributed to others in the company who can use it. The final form of the CI, as well as its timeliness/opportuneness and security are important considerations.

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